new fin/syn rules to all prime time entertainment programs exhibited by a network, including those in which the network holds no syndication rights. UCC asks the Commission to adopt a defined set of "public interest standards," including quantitative standards for locally-produced non-entertainment programs, that would have to be met before a station was entitled to such "government protections" as must carry and retransmission consent.

These requests have already been rejected by the Commission. INTV sought the same extension of the anti-warehousing provision in its petition for reconsideration of the fin/syn Report and Order. The Commission denied this request on the grounds that there was no justification for such an "unnecessarily restrictive" regulation of the network business.[21] INTV has advanced no valid reason to revisit or reverse that decision. Similarly, the Commission has repeatedly denied requests for quantitative programming standards, most recently in its Report and Order adopting rules with respect to television licensees' children's programming responsibilities.[22]

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[21] Memorandum Opinion and Order in MM Docket 90-162, supra, par. 66.

[22] Report and Order, 6 FCC Rcd 2111, 2115 (1991).

When the case for <u>less</u> regulation is so clear, the Commission should summarily reject arguments that the public interest would be served by heaping more government requirements on local television stations and broadcast networks.

IV. CONCLUSION

For the reasons expressed in both its initial and Reply Comments, NBC believes the Commission is obligated to reexamine and repeal or modify rules affecting television networks and stations that were designed to deal with marketplace conditions in an entirely different competitive era. These include the dual network rule; the multiple ownership, duopoly and one-to-a-market rules; the rules governing network-affiliate relationships as they apply to stations in the Top 50 markets; and specific applications of the Prime Time Access Rule. Given the pace of change and the increasing competitive pressures all broadcasters face, NBC reiterates its request that the Commission "fast track" its consideration of these rules, so that television broadcasters can compete freely and fairly at the earliest possible date.

Respectfully submitted,

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EXHIBIT A

VARIETY December 16, 1991

RECESSION'S A BUST FOR TWO BROADCASTERS, BUT BASIC CABLE'S UP

CABLE IN BLACK, NETS BLUE

By JOHN DEMPSEY

NEW YORK While two of the Big Three broadcast networks — CBS and NBC — will lose money in calendar year 1991, all 14 of the biggest ad-supported basic-cable networks will chalk up profits this year.

That statistical comparison highlights the stunning turnaround in the financial wars between the broadcast and cable industries. Kay Koplovitz, prexy and CEO of the USA network, says, "This is the new wave of television, underlying a new generation of technology. Ten years ago, I doubt if anyone would've predicted that the top 14 cable networks would be making so much money."

"Cable is building its business from the ground up, whereas broadcasting is dismantling itself brick by brick," says Larry Gerbrandt, senior media analyst for Paul Kagan Associates.

Jessica Reif, the media analyst for Oppenheimer, says her data show that CBS will be $400 million in the red for the year and NBC could lose as much as $100 million when the final tally comes in for 1?

According to Kagan and other sources, the 14 profitable mass-circulation cable networks, each of which reach at least 47 million subscribers, are: ESPN, USA, CNN, MTV, TBS, Discovery, TNT, Nickelodeon/Nick at Nite, Lifetime, A&E, CNN Headline News, the Nashville Network, the Family Channel and the Weather Channel.

The unusual broadcast-network declines are a direct result of the disastrous advertising marketplace, according to a number of sources. McCann-Erickson senior VP Robert Coen, the most widely read forecaster of industry trends, says that for the first time in 30 years total advertising spending will decline between 1990 and 1991.

This dropoff has slammed into the broadcast networks while leaving the cable networks relatively unscathed, as cable continues to add new subscribers every year. In its yearend wrapup, the National Cable TV Assn., cable's lobbying arm in Washington, D.C., says, "Ad revenue has increased substantially, by close to $500 million since 1990," which factors out to more than $3 billion this year, a jump of 18%.

And, as Ed Hatch, media analyst for UBS Securities, points out, cable "adds subscription revenues on top of the revenues it's getting from advertising." The broadcast networks drink from only one revenue stream, the sale of commercial time to advertisers.

If the economy picks up, says Ed Antoian, media analyst with Delaware Management Co., "the pendulum will swing back and the networks will get back into profit. It's a cyclical business."

It'll even be easier for the broadcast networks to take advantage of a turnaround in the advertising marketplace because "they've brought their costs down dramatically," says Hatch. "An increase in advertising revenue will go straight to their bottom line."

But most cable executives say the balance of power between broadcasting and cable has undergone a fundamental change. "Over the last 10 years, we've seen a cataclysmic shift in the economics of the two industries," says Harvey Ganot, executive VP of advertising sales for the MTV Networks.

Year-by-year since the early '70s, Ganot continues, viewers have gradually started to shift their allegiance from the broadcast networks to the cable networks, in the process drawing millions of advertising dollars to cable.

So even if the economy pulls out of its slump in 1992, Ganot says, "nothing will change the dynamics of the past 10 years."